

# MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

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## ECONOMIC HIGHLIGHTS

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- **Housing starts** fell 2.1% in May from the April level, ending three consecutive months of increases, and were 24.2% below the year-ago level. The overall decline reflected a slowdown in the West (78,000 units) and South (12,000 units) that more than offset increases in the Northeast (26,000 units) and the Midwest (32,000 units).
- The **U.S. Consumer Price Index (CPI)** increased at an 8.4% annual rate during May, after rising at a 5.1% annual rate in April, but was only 2.7% above the level in May 2006. As was true during the previous three months, high energy prices, particularly for gasoline, and higher food prices accounted for the majority of the increase. Based on the last three months, energy prices rose at a 71.0% annual rate, compared with a 4.2% increase for food prices and a 1.6% increase for all items excluding energy and food.
- **Retail sales** increased 1.5% in May from the April level, and were up 4.9% from the year-ago level. Sales increases at gasoline stations (3.8%) led all sectors, followed by clothing sales (2.7%) and sales at building material and garden equipment stores (2.1%).
- **Domestic nonfinancial debt** during the first quarter of 2007 grew at the slowest rate since the fourth quarter of 2003, largely driven by slower borrowing by households. Household debt rose at a 6.0% rate, the slowest rate since the fourth quarter of 1997, reflecting slower mortgage activity. In the first quarter, household debt outstanding totaled \$13.0 trillion, of which \$9.9 trillion was mortgage debt. Outstanding business debt totaled \$9.2 trillion.



- **Michigan motor vehicle production** rose 19.2% in May from the April level, the largest monthly increase since August 2006, and was 7.9% above the level in May 2007. On a year-over-year basis, automobile production was down 6.5%, while light truck production was 21.0% higher. Despite the increase, Michigan's share of domestic light vehicle production was 18.3% during May, compared with 21.5% one year ago.
- **Michigan wage and salary employment** fell 18,000 jobs in May from the April level, and was 56,000 jobs below the May 2006 level. Compared with April, all sectors other than information and education/health services experienced employment declines. The most substantial declines occurred in construction (6,000 jobs), manufacturing (6,000 jobs), and leisure/hospitality services (4,000 jobs). Compared with May 2006, employment declined most in the manufacturing sector (32,000 jobs), particularly transportation equipment manufacturing (23,000 jobs).
- As has been true for the last several months, despite the weakness in employment, those still employed reported strong gains in **average weekly earnings** in May compared with year-ago levels. Earnings were more than 6.0% above May 2006 levels in most nonmanufacturing sectors. On a year-over-year basis, earnings growth was strongest in financial activities (up 9.2%) and health care/social assistance (up 9.1%) and weakest in personal/laundry services (down 7.4%).



MAY 2007

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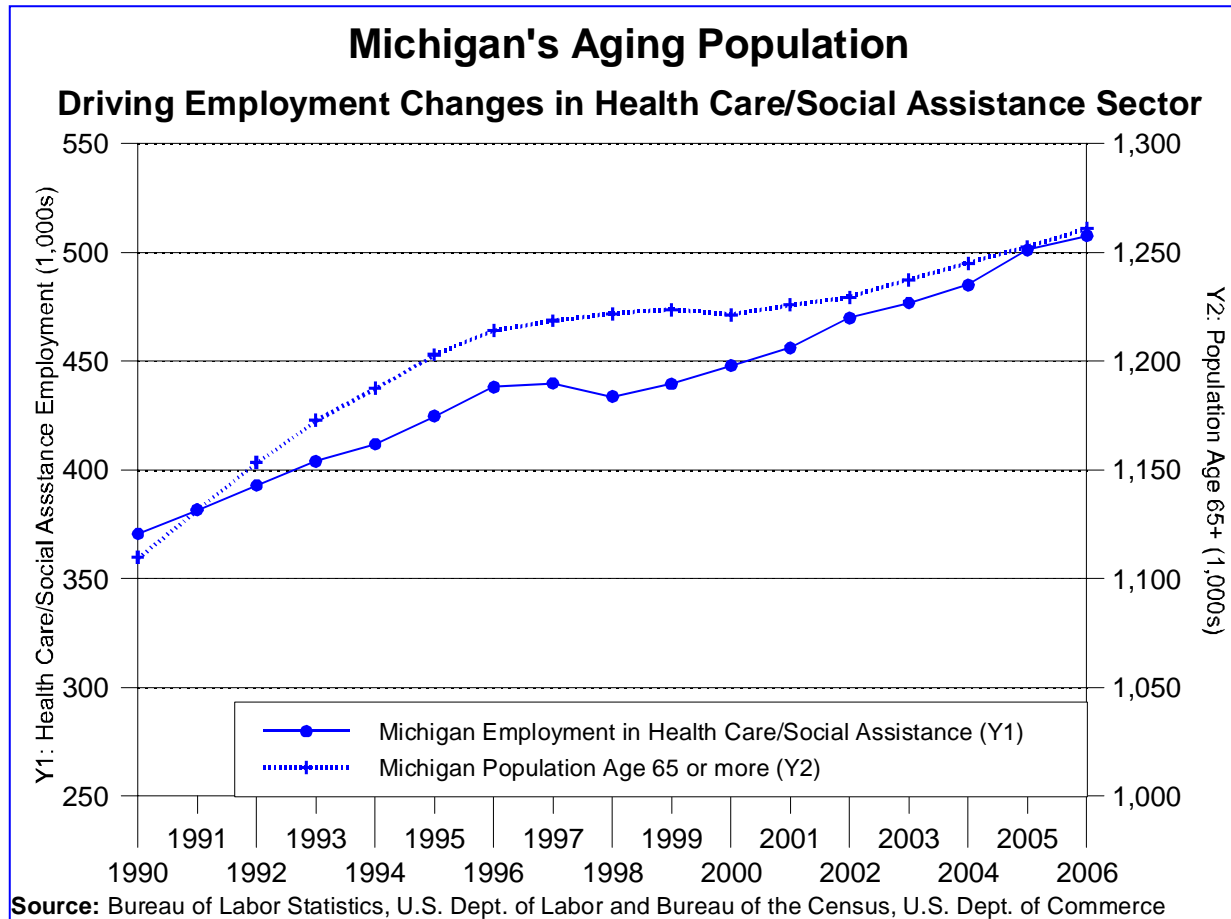
**U.S. & MICHIGAN LABOR MARKET NEWS**  
(Seasonally adjusted, thousands)

U.S.	May 2007	Apr. 2007	May 2006	Change from April		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	152,762	152,587	151,051	175	0.1%	1,711	1.1%
Employment	145,943	145,786	144,045	157	0.1	1,898	1.3
Unemployment	6,819	6,801	7,006	18	0.3	(187)	(2.7)
Unemployment Rate	4.5%	4.5%	4.6%	---	---	---	---

Michigan	May 2007	Apr. 2007	May 2006	Change from April		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,054	5,049	5,070	5	0.1%	(16)	(0.3)%
Employment	4,706	4,692	4,734	14	0.3	(27)	(0.6)
Unemployment	348	357	336	(9)	(2.6)	12	3.4
Unemployment Rate	6.9%	7.1%	6.6%	---	---	---	---

**Source:** Bureau of Labor Statistics, U.S. Department of Labor



<b>MICHIGAN WAGE AND SALARY EMPLOYMENT</b> (Seasonally adjusted, thousands)							
	May 2007*	April 2007	May 2006	<u>Change from April</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
<b>Total Nonagricultural Jobs</b>	4,286	4,304	4,341	(18)	(0.4)%	(56)	(1.3)%
<b>Goods Producing Industries</b>	798	809	845	(12)	(1.4)	(47)	(5.6)
Natural Resources & Mining	8	8	8	(0)	(1.2)	(0)	(1.2)
Construction	166	172	181	(6)	(3.5)	(15)	(8.5)
Manufacturing	624	630	656	(6)	(0.9)	(32)	(4.8)
Transportation Equipment	200	204	223	(4)	(2.0)	(23)	(10.3)
<b>Service Producing Industries</b>	3,488	3,495	3,497	(7)	(0.2)	(9)	(0.2)
Trade, Transportation & Utilities	782	784	796	(2)	(0.2)	(14)	(1.7)
Information	67	67	67	0	0.0	(0)	(0.1)
Financial Activities	213	214	217	(1)	(0.5)	(3)	(1.5)
Professional & Business Services	584	585	584	(2)	(0.3)	(0)	(0.0)
Education & Health Services	592	590	583	2	0.3	9	1.6
Leisure & Hospitality Services	412	415	406	(4)	(0.8)	6	1.5
Other Services	177	178	178	(0)	(0.2)	(0)	(0.1)
Government	661	662	667	(0)	(0.1)	(6)	(0.9)
<b>Source:</b> Bureau of Labor Statistics, U.S. Department of Labor <span style="float: right;">* Preliminary</span>							

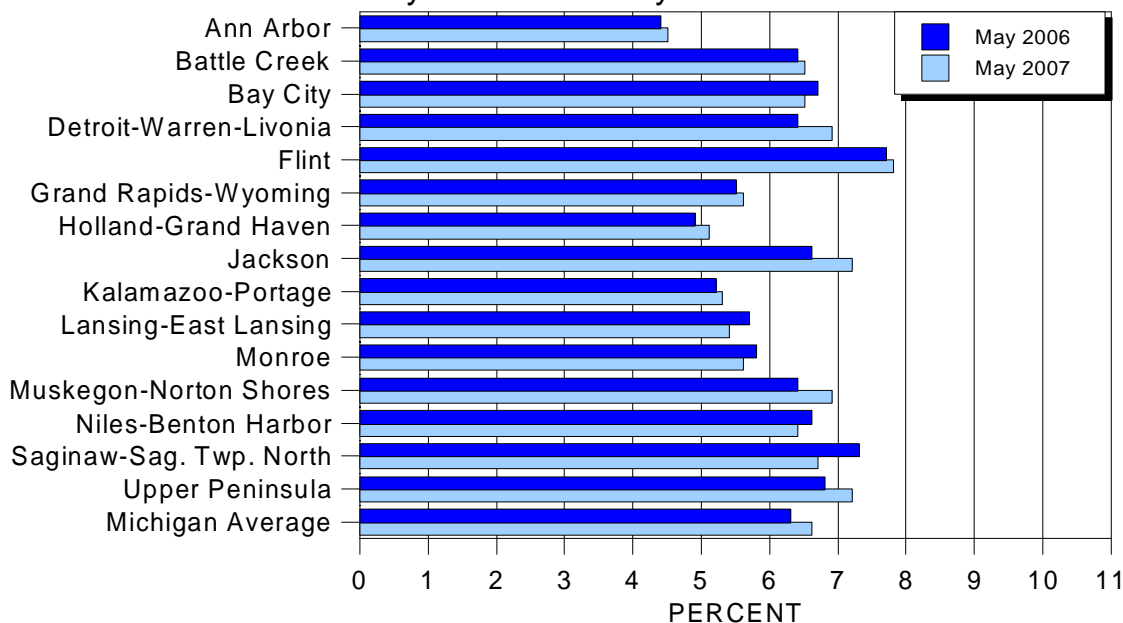
<b>MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS</b>						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	May 2007	Year Ago	Percent Change	May 2007	Year Ago	Percent Change
Construction	36.9	37.7	(2.1)%	\$801.47	\$815.83	(1.8)%
Manufacturing	42.5	42.0	1.2	929.90	939.51	(1.0)
Durable Goods	43.8	43.8	0.0	1,037.18	1,036.31	0.1
Motor Vehicle Manufacturing	42.6	42.6	0.0	1,344.46	1,313.78	2.3
Motor Vehicle Parts Manufacturing	44.3	43.6	1.6	1,153.57	1,236.06	(6.7)
Nondurable Goods	38.4	40.0	(4.0)	586.37	609.60	(3.8)
Wholesale Trade	39.7	38.7	2.6	767.40	732.20	4.8
Retail Trade	30.2	29.1	3.8	365.72	364.04	0.5
Grocery Stores	27.5	27.0	1.9	252.18	235.17	7.2
General Merchandise Stores	27.7	28.5	(2.8)	290.30	300.96	(3.5)
Information	34.1	34.1	0.0	715.76	670.41	6.8
Financial Activities	34.5	33.8	2.1	645.84	591.16	9.2
Professional & Business Services	35.4	34.8	1.7	683.22	643.45	6.2
Health Care & Social Assistance	36.4	34.4	5.8	619.16	567.26	9.1
Leisure & Hospitality	22.2	22.7	(2.2)	200.91	189.09	6.3
Personal & Laundry Services	25.7	26.6	(3.4)	293.49	316.81	(7.4)
<b>Source:</b> Bureau of Labor Statistics, U.S. Department of Labor						

**MICHIGAN UNEMPLOYMENT RATES  
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS  
(Not Adjusted for Seasonal Variations)**

	May 2007*	April 2007	March 2007	May 2006
<b>Metropolitan Statistical Areas</b>				
Ann Arbor	4.5%	4.5%	4.7%	4.4%
Battle Creek	6.5	6.8	7.2	6.4
Bay City	6.5	7.0	7.5	6.7
Detroit-Warren-Livonia	6.9	6.7	6.9	6.4
Flint	7.8	8.1	8.8	7.7
Grand Rapids-Wyoming	5.6	5.8	6.3	5.5
Holland-Grand Haven	5.1	5.3	5.8	4.9
Jackson	7.2	7.5	8.0	6.6
Kalamazoo-Portage	5.3	5.5	5.9	5.2
Lansing-East Lansing	5.4	5.6	5.9	5.7
Monroe	5.6	6.0	6.7	5.8
Muskegon-Norton Shores	6.9	6.9	7.3	6.4
Niles-Benton Harbor	6.4	6.7	7.2	6.6
Saginaw-Saginaw Twp North	6.7	7.1	7.7	7.3
<b>Multi-County Areas</b>				
Northeast Lower Michigan	8.4	10.5	12.0	7.8
Northwest Lower Michigan	7.0	8.4	9.2	6.4
Upper Peninsula	7.2	8.6	8.9	6.8
<b>Michigan Statewide Average</b>				
-- Unadjusted (comparable to figures shown above)	6.6	6.8	7.2	6.3
<b>Source:</b> Michigan Department of Labor and Economic Growth				*Preliminary

**Michigan Regional Unemployment Rates**

May 2006 and May 2007



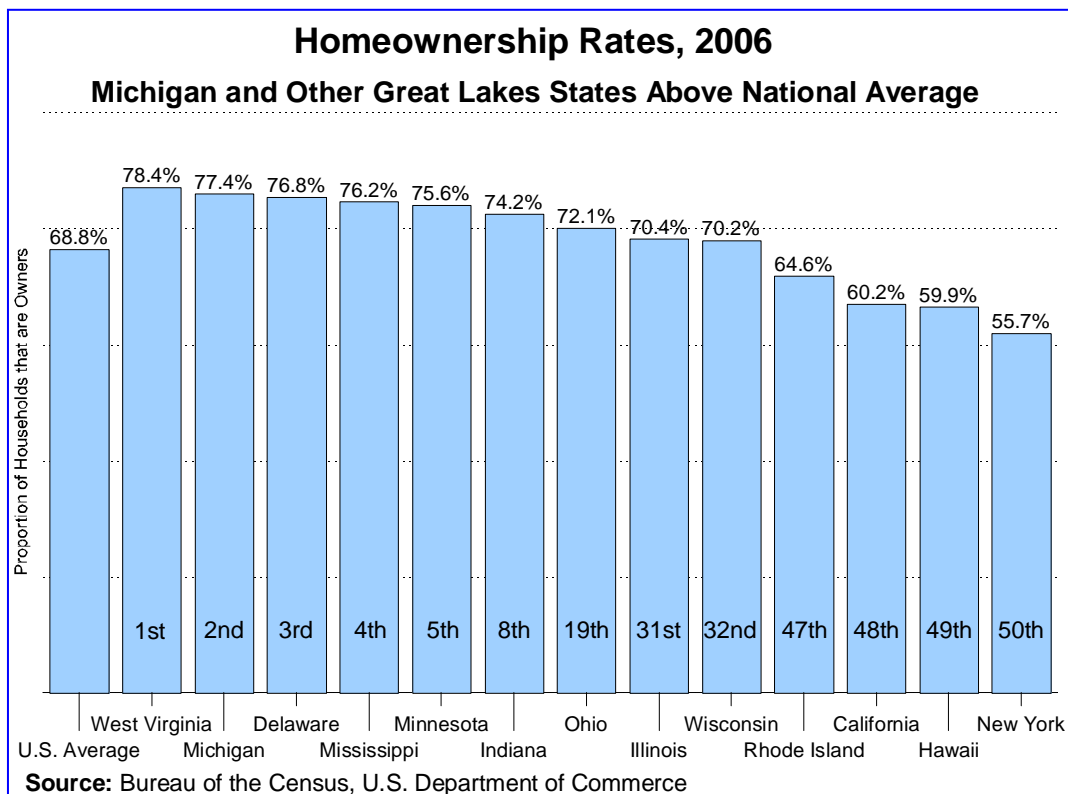
Source: Michigan Department of Labor and Economic Growth

**MOTOR VEHICLE SALES AND PRODUCTION STATISTICS  
(Thousands of Units)**

	May 2007	Apr. 2007	Mar. 2007	Feb. 2007	Year Ago May	Percent Change From:	
						May/Apr.	May 2007/ May 2006
<b>Motor Vehicle Sales<sup>1)</sup></b> (thousands of units, SAAR)							
Autos	7,978	7,323	7,577	7,444	7,809	8.9%	2.2%
Domestics	5,474	5,020	5,104	5,058	5,362	9.0	2.1
Imports	2,504	2,303	2,473	2,386	2,447	8.7	2.3
Import Share	31.4%	31.4%	32.6%	32.1%	31.3%	---	---
Light Trucks	8,120	8,866	8,689	9,127	8,288	(8.4)	(2.0)
Domestics	6,822	7,472	7,239	7,711	6,997	(8.7)	(2.5)
Imports	1,298	1,394	1,450	1,416	1,291	(6.9)	0.5
Import Share	16.0%	15.7%	16.7%	15.5%	15.6%	---	---
Subtotal: Light Vehicle Sales	16,098	16,189	16,266	16,571	16,097	(0.6)	0.0
Heavy Trucks	345	395	412	464	533	(12.7)	(35.3)
Total Vehicle Sales	16,443	16,584	16,678	17,035	16,630	(0.9)	(1.1)
<b>U.S. Motor Vehicle Production<sup>1)</sup></b> (millions of units, SAAR)							
Autos	3,716.4	3,799	3,750	3,894	4,354	(100.0)	(100.0)
<b>Michigan Motor Vehicle Production<sup>2)</sup></b> (thousands of units, SAAR)							
Autos	905	846	973	1,189	22.8	(6.5)	905
Trucks	1,354	1,231	1,180	1,307	16.7	21.0	1,354
Total	2,260	2,077	2,152	2,496	19.2	7.9	2,260
Michigan Production as % of U.S.	18.3%	18.3%	18.7%	21.5%	---	---	18.3%
<b>U.S. Motor Vehicle Inventories<sup>3)</sup></b>							
Total Car	1,590	1,607	1,636	1,444	(8.7)	0.5	1,590
Days Supply	59	60	67	48	(20.3)	(2.1)	59
Total Truck	1,944	1,960	1,931	2,339	(0.2)	(17.1)	1,944
Days Supply	67	69	69	80	(1.5)	(17.5)	67

SAAR = Seasonally Adjusted at Annual Rates.

**Sources:** 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 3) Automotive News, Crain Communications, Inc. (ending inventory).



OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
<b>Weekly Leading Index</b> , monthly <sup>1)</sup> (1992=100)	April	140.0	139.1	137.1	0.6%	2.1%
<b>Coincident Index</b> <sup>1)</sup> (1992=100)	April	153.3	152.9	149.8	0.3	2.3
<b>Housing Starts, U.S.</b> <sup>2)</sup> (thousands of units, SAAR)	April	1,528	1,491	1,821	2.5	(16.1)
<b>Retail Sales, U.S.</b> <sup>2)</sup> (billions, seasonally adjusted)	April	\$335.2	\$336.0	\$325.5	(0.2)	3.0
<b>Industrial Production Index</b> <sup>3)</sup> (1997=100, seasonally adjusted)	April	113.0	112.2	110.9	0.7	1.9
<b>Capacity Utilization</b> <sup>3)</sup> (% of total capacity, seasonally adjusted)	April	81.6	81.2	81.9	0.5	(0.4)
<b>Consumer Price Index</b> <sup>4)</sup> (1982-84=100)						
U.S. (seasonally adjusted)	April	206.0	205.1	200.8	5.1	2.6
Detroit (not seasonally adjusted)	April	200.4	198.1	197.2	7.3	1.6
<b>Interest Rates</b>						
3-month Treasury Bill <sup>3)</sup>	April	4.88%	4.97%	4.59%	---	---
Corporate Aaa Bonds <sup>3)</sup>	April	5.47%	5.30%	5.84%	---	---
<b>Real Gross Domestic Product</b> <sup>5)</sup> (billions of 2000 \$, SAAR, Chain-Weighted)	2007 1st Qtr.	\$11,531.7	\$11,513.0	\$11,316.4	0.7	1.9
<b>Michigan Tax Collections</b> <sup>6)</sup> (12 major taxes, millions)	April 2007	\$2,064.9	\$980.7	\$1,728.8	NM	19.4

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.

Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

\*Note: Percent changes from previous period for CPI and GDP at annual rate.

**Sources:** 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

